

Message Text

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ACTION EUR-25

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 4883

INFO AMEMBASSY BONN

USEC BRUSSELS 8865

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

C O N F I D E N T I A L PARIS 29817

E.O. 1162: GDS

TAGS: TECH, TGEN

SUBJECT: URANIUM ENRICHMENT: EURODIF DEADLINE APPROACHES

REF: A. PARIS 28646; B. EC-BRUSSELS 6396; E. STATE 227510;

D. PARIS 24921

SUMMARY: IN NEXT WEEK, FRENCH GOVERNMENT AND EURODIF MEMBERS WILL REACH DECISIONS ON FATE OF PROPOSED GASEOUS DIFFUSION PLANT.

PROSPECTS FAVOR POSITIVE DECISION BY FRENCH WE HAVE NOT SEEN ANY OFFICIAL INDICATION THAT FRENCH SEEK TO DEVELOP PREFERENTIAL EUROPEAN POLICY FOR PURCHASES URANIUM ENRICHMENT SERVICES THOUGH THAT WOULD NOT BE INCONSISTENT WITH PAST FRENCH POLICIES.

REPORTEDLY, PROPOSED PLANT WILL BE BUILT IN TWO STAGES, BE SUPPLIED BY FOUR 900 MEGAWATT NUCLEAR POWER PLANTS, AND OFFER ENRCHMENT SERVICES AT ABOUT \$50 PER SWU, END SUMMARY.

1. WITH DEADLINE ONLY SIX WEEKS AWAY, EUROPEANS ARE ACCELERATING
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EFFORTS TO REACH DECISION WHETHER TO CONSTRUCT EURODIF GASEOUS

DIFFUSION PLANTS FOR ENRICHING URANIUM. REPORTED SCHEDULE IS:
NOV. 17, ASSOCIATION OF EUROPEAN PRODUCERS OF NUCLEAR ENERGY (THE
SO-CALLED WYART GROUP, AFTER ITS CHAIRMAN) MEETS TO DISCUSS EURODIF
PROPOSALS; NOV 22, FRENCH INTER-MINISTERIAL COMMITTEE MEETS AT
ELYSEE, CONSIDERS APPROVAL OF FRENCH PARTICIPATION; NOV. 27,
EURODIF MEMBERS MEET TO MAKE FINAL RECOMMENDATION OF EURODIF
STUDY, AND PERHAPS DEC, 14, EC SUMMIT PER REF. A, PARA. 3.

2. EMBASSY HAS NO FIRM INDICATION OF VIEWS OF NON-FRENCH PARTIES.
WE HAVE, HOWEVER, SEVERAL INDICATIONS IN THE PAST FEW WEEKS THAT
FRENCH GOVERNMENT'S DECISION WILL BE FAVORABLE: ONE, PRIME MINISTER'S
STATEMENT OF SUPPORT LINKING ENRICHMENT TO COMMON EUROPEAN ENERGY
POLICY (REF. A) TWO, STATEMENT BY MINISTER OF INDUSTRIAL AND
SCIENTIFIC DEVELOPMENT (DIS) CHARBONNEL, DURING ASSEMBLY'S BUDGET
HEARINGS LAST WEEK THAT FRENCH MUST HAVE MASTERY OF ENTIRE NUCLEAR
POWER PROCESS FROM ORE-MINING TO RETREATMENT; THREE, STEEP RISE IN
REQUESTED FUNDS FOR URANIUM ENRICHMENT RESEARCH, REPORTEDLY 200
MILLION FRANC (\$45 MILLION) FOR 1974 VERSUS 250 MILLION FRANC
(\$57 MILLION) FOR SEVEN-YEAR PERIOD 1967 THROUGH 1973. (RATHER
THAN CONTINUATION OF PRESENT RESEARCH, 1974 BUDGET REQUEST APPEARS
AIMED AT PLANNING FOR PLANT DEVELOPMENT); AND FOUR, EUROPEAN-WIDE
DEMAND, HEIGHTENED BY ARAB OIL PINCH, TO LESSEN ENERGY DEPENDENCE.

3. ON THE OTHER HAND, FRENCH POLICY MAKERS FACE TWO MAJOR PROBLEMS:
RAISING THE \$2 BILLION REQUIRED TO BUILD THE PROPOSED ENRICHMENT
COMPLEX, AND EVENTUALLY MARKETING ITS OUTPUT. AS CHARBONNEL'S
CHIEF OF CABINET SAID TO SCICON, GOVERNMENT WANTS NUCLEAR INDEPENDENCE BUT
NOT ANOTHER CONCORDE. REGARDING COSTS, CHIEF NUCLEAR PLANNER IN
DIS MINISTRY, YVES GIRARD, SAID THAT FRANCE HOPED TO PAY ABOUT
HALF THE COST OF PROPOSED PLANT, WITH OTHER HALF BEING ASSUMED BY ITS
EURODIF PARTNERS: SWEDEN, BELGIUM, ITALY, AND SPAIN. HE POINTED OUT
THAT \$1 BILLION SPREAD OVER A 7-YEAR CONSTRUCTION PERIOD WOULD NOT
IMPOSE AN INTOLERABLE FINANCIAL BURDEN. FRENCH WOULD FINANCE THEIR
SHARE AT LEAST IN PART WITH A BANK LOAN UNDER GOVERNMENT GUARANTEE
OR THROUGH SALES OF STOCK. WHEN ASKED WHAT FRANCE WOULD DO IF OTHER
EURODIF MEMBERS REFUSED TO CONTRIBUTE TO FINANCING ENRICHMENT PLANT,
GIRARD WOULD SAY ONLY THE OBVIOUS--THAT FRENCH WOULD BE VERY
EMBARRASSED.

4. MARKETING ENRICHMENT SERVICES MAY POSE PROBLEMS FOR BOTH EUROPE
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AND U.S. THE POSSIBILITY OF OVER-CAPACITY IS BEING RAISED HERE
APPARENTLY FOR THE FIRST TIME. IN NOVEMBER 16 ARTICLE, LE MONDE
NUCLEAR EXPERT NICOLAS VICHNEY USES FIGURES OF EUROPEAN UTILITIES
(THE WYART GROUP) TO SHOW THAT EUROPEANS WILL HAVE ENRICHMENT OVER-
CAPACITY IF U.S. RETAINS MORE THAN ONE-THIRD OF EUROPEAN MARKET.
USING UNIDENTIFIED SOURCE, HE GIVES TENTATIVE COST PER SEPARATIVE
WORK UNIT OF URNECO CENTRIFUGE AS 216 FRANCS AND OF EURODIF AT
230 FRANCS. THIS, HE STATES, IS ABOVE U.S. PRICE EVEN GIVEN 5 PERCENT

YEARLY INCREASE. THEN HE RAISES QUESTION OF FREE TRADE OR "CERTAIN EUROPEAN PREFERENCE" PERHAPS TO BE ATTAINED BY "INVOKING ARTICLE 65 OF TREATY OF ROME WHICH AUTHORIZES EURATOM TO EXERCISE GEORGAPHIC PERFERENCE IF CONOMIC CONDITIONS HERE AND OUTSIDE ARE EQUIVALENT." THOUGH HE ASKED EMBASSY SCIENCE OFFICERS AND EC BRUSSELS AEC REPRESENTATIVES WHAT U.S. WOULD DO IN REACTION TO ANY EC PROTECTIONIST POLICY ON ENRICHMENT, ARTICLE DID NOT MENTION U.S. REACTION. IT SHOULD BE NOTED THAT WE HAVE NOT SEEN ANY INDICATION THAT FRENCH ARE SEEKING EC PROTECTIONIS POLICY THOUGH THIS WOULD NOT BE INCONSISTENT WITH PAST FRENCH ATTITUDES; E.G. IN FIELD OF CIVILIAN AIRCRAFT.

5. FOLLOWING TECHNICAL INFORMATION IS INCLUDED TO SUPPLEMENT PREVIOUS DESCRIPTIONS OF THE EURODIF PROPOSAL (REF.D). IN A SPEECH, THE ABOVE-MENTIONED P. WYART, DIRECTOR OF PRODUCTION AND TRANSPORT FOR ELECTRICITE E FRANCE (EDF), SAID THAT "EURODIF ENVISAGES PRODUCTION OF 4.7 MILLION SWU'S IN 1979 TO MEET A MAXIMUM OF 9.3 SWU'S BY 1981." BETWEEN 1974 AND 1978 THE FRENCH CEA IS PREPARED TO ENRICH SIGNIFICANT

QUANTITIES OF URANIUM BY MANIPULATING THE TAILS ASSAY PROVIDED CEA WAS ASSURED IT COULD LATER RE-CYCLE THE RESULTANT, SLIGHTLY EPLETED URANIUM IN THE EURODIF PLANT. HE CONTINUTED THAT PROPOSED PLANT WOULD REQUIRE 2400 KILOWATT HOURS OF ELECTRICITY FOR EACH SEPARATIVE WORK UNIT PRODUCED, AS OPPOSED TO 200 KWH/SWU FOR THE CENTRIFUGE UNIT. ELECTRIC POWER WOULD CONSTITUTE 50 PERCENT OF PLANT OPERATING COST, CAPITAL CARRYING CHARGES 40 PERCENT AND MISCELLANEOUS 1 PERCENT. THE COST OF ENRICHMENT WOULD COMPRISE ONLY 7.5 PERCENT OF COST PER KILOWATT OF ELECTRICITY. HE EXTRAPOLATED THAT A 20 20PERCENT INCREASE IN ENRICHMENT COST WOULD REPRESENT ONLY 1.5 PERCENT INCREASE IN COST OF ELECTRICITY , "THE COST WE ATTACH TO SECURITY." HE NOTED THAT THE EURODIF WASWILLING TO BUILD FOUR 900 MW NUCLEARPOWER PLANTS TO SUPPLY POWER FOR THE PROPOSED PLANT. ALSO, CONFIDENTIAL

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VICHNEY TOLD US THAT EURODIF WOULD PAY EDF FOR THIS ENORMOUS AMOUNT OF ELECTRIC POWER IN URANIUM ENRICHMENT SERVICES WHICH EDF COULD THEN USE FOR ITS COMMERCIAL NUCLEAR POWER REACTORS. IRWIN

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